

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

BOND AMENDMENT STAFF REPORT

ISSUE: For the purpose of clarifying of the scope of its project, Buck Institute for Age Research (Institute or Borrower) has requested approval of amendments of certain documents related to California Infrastructure and Economic Development Bank's Variable Rate Demand Revenue Bonds, Series 2010 (Buck Institute for Age Research). The proposed amendments will amend the definition of the term "2010 Project."

BACKGROUND INFORMATION: On August 24, 2010, the I-Bank Board approved Resolution 10-27 authorizing the issuance of tax exempt revenue bonds not to exceed \$30,000,000 on behalf of the Institute (2010 Bonds).

As stated in Resolution 10-27, the Institute requested assistance in (a) financing the design, planning, permitting, construction and general development of certain research facilities of the Institute, and facilities necessary or desirable in connection therewith, to be owned and operated by and for the benefit of the Institute and to be located at 8001 Redwood Boulevard, Novato, California 94945 (the "2010 Project"), (2) refinancing a portion of the 2001 Bonds, which were used to finance certain research facilities of the Borrower (the "2001 Project" and, together with the 2010 Project, the "Project"), (3) funding capitalized interest for the bonds, and (4) paying certain costs of the Project, including costs of issuance of bonds. The Staff Report dated August 24, 2010, and a copy of Resolution 10-27 are attached for a more complete description of the project and financing structure (see **Attachment A**).

NEED FOR AMENDMENT: Subsequent to the August 24, 2010, I-Bank Board meeting, the Institute determined it wants to use a portion of the 2010 Bond proceeds to construct a portion of a proposed parking facility, which will be used in connection with the Project. The parking facility was contemplated by the Borrower during this planning process, the Institute has stated that projected 2010 Project construction costs have gone down, possibly freeing up funds, the possibility of extra funds moved the parking facility to a higher priority, and is now being requested to be included in the 2010 Project to retain the maximum flexibility for the expenditure of the 2010 Bond proceeds. Although the Institute has not yet established the final cost of the parking facility, it is estimated that between \$2 million and \$4 million of 2010 Bond proceeds may be utilized for this purpose. The purpose of requesting an amendment of the definition of 2010 Project is to specifically include "parking facility" within the definition of the 2010 Project as approved by Resolution 10-27.

I-Bank Board Resolution 08-35 authorizes the Executive Director to approve and execute certain bond document amendments. Because the change in the scope of the 2010 Project is a material change to the terms of the transaction as approved, this amendment does not fit under the parameters of the delegation to the Executive Director and must be considered by the I-Bank Board.

RECOMMENDATION: Staff recommends approval of Resolution No. 10-32 approving a 2010 Bonds first supplemental indenture and a first supplemental loan agreement to clarify the scope of the economic development facility to include a parking facility in the definition of the 2010 Project to be financed with proceeds of the California Infrastructure and Economic Development Bank's Variable Rate Demand Revenue Bonds, Series 2010 (Buck Institute for Age Research), which were initially issued for the benefit of the Buck Institute for Age Research to finance an economic development facility in the City of Novato.

Attachment A

**STAFF REPORT DATED AUGUST 24, 2010
AND
EXECUTED RESOLUTION NO. 10-27**

STAFF REPORT

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY				
Applicant:	Buck Institute for Age Research (Institute or Borrower)		Amount Requested:	Not to exceed \$30,000,000
Applicant Description:	A nonprofit corporation established to conduct research on aging and age-related diseases for the purpose of increasing healthy, productive years of life.		Type of Issue:	New Issue & Refunding; & Amendment
			Resolution Number:	10-27
			Board Meeting:	August 24, 2010
Project Site:	8001 Redwood Boulevard, Novato, CA 94945		Prepared by:	Tara Dunn
Project Description:	The project involves a) the design, planning, permitting, construction and general development of certain research facilities including a 65,700 square-foot stem cell research facility and b) the refunding up to \$10 million of the outstanding \$55,600,000 of California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2001 (Buck Institute for Age Research) (2001 Bonds) (collectively, the Project).			
Uses of Bond Proceeds:	Bond proceeds from the issuance of the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2010 (Buck Institute for Age Research) (2010 Bonds) will be used to pay the costs of the Project, capitalized interest on the 2010 Bonds and costs of issuance.			
Public Benefits:	The Project is expected to create up to 150 permanent jobs, advance the Institute's biomedical research and graduate-level education in the life sciences and health professions, improve the California healthcare system, and reduce long-term health cost through therapies derived from stem cell research. The new facility component of the Project is expected to achieve LEED certification and the refunding component of the Project is expected to reduce the Institute's exposure to variable interest rates.			
Financing Structure 2010 Bonds:				
Type of Issue:		Bank Qualified Bonds initially issued as fixed-rate securities in minimum denominations of \$500,000 and privately placed with U.S. Bank National Association.		
Tax Status:		Tax-exempt.		
Term:		Initial term of up to 7 years with a maturity not to exceed 30 years.		
Credit Enhancement:		None.		
Credit Rating:		None.		
Est. Sources of Funds:		Est. Uses of Funds:		
Par amount of 2010 Bonds	\$30,000,000	Project Costs	\$42,502,241	
CIRM Prop 71 Funding	20,500,000	Refund Portion of 2001 Bonds	5,090,000	
		Capitalized Interest	1,909,009	
		Costs of Issuance	998,750	
TOTAL SOURCES	\$50,500,000	TOTAL USES	\$50,500,000	
Financing Team - 2010 Bonds:				
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP			
Purchaser:	U.S. Bank National Association			
Trustee:	U.S. Bank National Association.			
Financial Advisor:	Greenlee Advisors			
Amendment:	Simultaneously with the issuance of the 2010 Bonds, the Borrower is requesting amendments to the 2001 First Amended and Restated Indenture (2001 Indenture) and 2001 First Amended and Restated Loan Agreement (2001 Loan Agreement) in relation to the remaining 2001 Bonds in order to provide a substitution of security for the 2001 Bonds.			
Financing Team - Amendment:				
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP			
Trustee:	The Bank of New York Mellon Trust Company, N.A.			
Credit Enhancement:	Letter of Credit issued by U.S. Bank National Association			
Financial Advisor:	Greenlee Advisors			
Staff Recommendation:				
Staff recommends approval of Resolution 10-27 for a) the approval of the issuance of the 2010 Bonds in an amount not to exceed \$30,000,000 for the Buck Institute for Age Research for use in the design, planning, permitting, construction and general development of certain research facilities and the refunding up to \$10 million of the outstanding 2001 Bonds, and b) the approval amendments to the 2001 Indenture and the 2001 Loan Agreement related to the substitution of the letter of credit in support of the remaining 2001 Bonds.				

REQUESTED ACTIONS

The Buck Institute for Age Research (Institute or Borrower) is requesting two separate, but related, actions described separately in this report. The first action is a request for the I-Bank to issue bonds for a) the design, planning, permitting, construction and general development of a new research facility and b) to refund a portion of the 2001 Bonds. The second request is to approve amendments to documents pertaining to the outstanding 2001 Bonds to allow the Borrower to substitute the related letter of credit. Since the transactions are interrelated and will close simultaneously, the two transactions are being presented as one approval.

BACKGROUND AND HISTORY

The Institute was incorporated in 1986 for the purpose of increasing the healthy years of life by conducting basic biomedical research as well as providing education and training on problems associated with aging. The Institute was the first independent research facility in the country focused solely on aging and age-related diseases.

The work undertaken at the Institute is conducted in an interdisciplinary setting to understand the mechanisms of aging and to discover new ways of detecting, preventing and treating age-related diseases including, but not limited to, Alzheimer's and Parkinson's disease, cancer, stroke, and arthritis. Collaborative research at the Institute is supported by genomics (the study of the genomes of organisms), proteomics (the study of proteins) and bioinformatics technology (the application of statistics and computer science to the field of molecular biology).

The Institute is also a place for education, helping to train the next generation of researchers in aging, from postdoctoral fellows to high school students. Scientists, fellows, trainees, and other interested people have access to a variety of resources, including seminars, lectures and courses, mentoring relationships, lab experience, internships, and printed and internet materials. Institute symposia feature international experts and draw participants from all over the world. The Institute also educates the general public through community seminars held four times a year in its Drexler Auditorium, which seats 250 people. Two of the seminars are available free of charge, while the other two cost \$10 to attend. Speakers always include an Institute faculty member and most often an expert from a community organization or another scientific organization. Some of the community seminars are subsequently made available online.

The Institute operates under an annual budget of approximately \$32 million; with 59% of its revenue coming from federal grants, 18% from private philanthropy and foundation grants, 18% from the Institute's charitable trust (Buck Trust) and the remaining 5% from other revenue sources including interest and technology licensing. The Buck Trust is a court-supervised charitable trust that was established in 1979 to distribute funds for nonprofit charitable, religious, or educational activities in Marin County, California. Responsibility for the management of the Buck Trust's investment assets rests with Wells Fargo Bank, the Investment Trustee. Responsibility for distribution of the income for charitable purposes rests with the Marin Community Foundation, the Distribution Trustee. The Institute is a component part of the Marin Community Foundation (Foundation), which means that the Institute, the Foundation and other component parts of the Foundation are treated as a single organization for federal tax purposes.

The *California Stem Cell Research and Cures Initiative (Proposition 71)* was approved by California voters in November 2004. Proposition 71 established the California Institute for Regenerative Medicine (CIRM), a new state agency, and authorized the issuance of \$3 billion in bonds to fund CIRM and stem cell research in California. Approximately \$300 million of the \$3 billion in public bond funds authorized by Proposition 71 was earmarked to fund capital projects. According to the CIRM website, in May 2008, CIRM awarded \$20.5 million to the Institute "...to develop a CIRM Major Facility to investigate the role of stem cells in aging and in the pathogenesis, diagnosis and treatment of age-related disease."

Currently the Institute consists of the Research Support and Education Building and one laboratory building totaling 185,000 sq ft located on a 488-acre site in Novato. The Institute's master plan (Master Plan) envisions

the construction and operation of an approximately 355,000 square foot research complex, consisting of four planned laboratory buildings, linked by glass atriums and anchored to the Research Support and Education Building arrayed around a hexagonal courtyard (See Appendix A for Project Pictures and Master Plan Model). Approximately 19% of the research complex envisioned in the Master Plan will be funded with the 2010 Bonds. Each laboratory building will consist of three floors of laboratories, with research support areas in the basement. The Research Support and Education Building anchors the complex, housing scientific research, as well as clinical research space, an auditorium and conference facility, administrative offices, the central plant, loading dock and vivarium. In addition, the Master Plan includes 130 one, two and three-bedroom apartments for the Institute's postdoctoral fellows and junior faculty.

The Institute's current administrative staff members and Board of Trustees are listed in Appendix B.

Previous Bonds

In December 1996, the California Economic Development Financing Authority (CEDFA), I-Bank's predecessor, issued bonds in the amount of \$55,000,000 for the benefit of the Institute (1996 Bonds). The 1996 Bonds were used to finance the construction of the Institute's facility located in Novato, California, including a laboratory building, a research support and education building, and related equipment all dedicated to the study of aging. The 1996 Bonds were secured by a letter of credit issued by Canadian Imperial Bank of Commerce (1996 LOC). The project was completed in 1999.

On December 10, 2001, the I-Bank approved Resolution 01-51 authorizing the refunding of the 1996 Bonds through the issuance of the 2001 Bonds in an amount not to exceed \$60,000,000 and approving amendments to the related indenture and loan agreement. The purpose of the issuance of the 2001 Bonds was to enable the Institute to replace the 1996 LOC with alternate letters of credit provided by The Bank of New York and the California State Teachers' Retirement System (2001 LOC).

Following I-Bank approval of Resolution 01-51, the 1996 Bonds were subject to mandatory tender, and were refunded by California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2001 (Buck Institute for Age Research).

The 2001 Bonds remain outstanding in the amount of \$55,600,000.

2010 BONDS PROJECT DESCRIPTION

The proposed project to be financed by the 2010 Bonds involves designing and constructing a 65,700 square foot stem cell research facility and refunding up to \$10 million of the 2001 Bonds.

The Project will allow the Institute to expand its stem cell biology programs related to the biology of aging and diseases of aging. The new facility will consist of three floors and a basement, matching the footprint of the adjacent existing laboratory as well as the two other laboratories proposed under the Master Plan (See Appendix A for Project Pictures and Master Plan Model). The interior of the new facility will include:

- Laboratory and office space for 12 principal investigators
- Administrative support space
- 122 wet lab benches for individual assignment
- HEPA filtered cell culture rooms
- Shared equipment and common research areas
- Core equipment and key operator areas
- Open lab plan with few interior walls, and utilities provided through overhead service carriers, to facilitate future changes in lab configuration
- Large scale biorepository facility with wet lab and lab support areas
- Offices to support biorepository operations

- Conference center for internal and external meetings, conferences and symposia

The new facility is registered for LEED certification and the Institute expects the completed facility to earn LEED silver with the possibility of earning enough credits for platinum certification. In addition, all general contractors bidding on the construction of the facility must have LEED accredited professionals on staff and the specifications for the facility include provisions requiring that all trades involved comply with LEED certified practices. The determination of the construction company completing the work is pending, with a decision expected in June, 2010. The new facility is expected to be complete in March 2012.

The Project also includes a refunding of up to \$10,000,000 of the outstanding 2001 Bonds. The refunding will reduce the Institute's exposure to variable interest rates by having more bonds outstanding as fixed rate debt. The exact amount of 2001 Bonds to be refunded will be determined within 90 days of close of the financing and will be based on that amount of the 2010 Bonds not necessary for the new facility.

2010 BONDS FINANCING STRUCTURE

The Borrower is requesting approval for the issuance of bonds in an amount not to exceed \$30,000,000. The 2010 Bonds will be issued pursuant to an indenture between the I-Bank and U.S. National Bank Association, as Trustee, (2010 Indenture) and a loan agreement between the I-Bank and the Institute (2010 Loan Agreement).

The 2010 Bonds will not be credit enhanced but initially issued as fixed-rate bank qualified bonds privately placed with U.S. Bank National Association (Purchaser), a Qualified Institutional Buyer as defined in Section 144(A) promulgated under the Securities Act of 1933, as amended (Qualified Institutional Buyer or QIB). The Purchaser intends to hold the 2010 Bonds for an initial term of up to seven years, however, the 2010 Bonds will have a 30 year maturity. The Purchaser's ability to sell or otherwise transfer the 2010 Bonds is limited to QIBs as described herein.

Although the 2010 Bonds will be initially issued as fixed-rate, the 2010 Indenture allows the Borrower the flexibility to change interest rate modes at any time, whether to variable or fixed-rate, and that upon choosing to change modes, the Borrower will be required to obtain a letter of credit supporting a rating on the bonds of at least "A-" or better in accordance with the I-Bank "Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities" (Policies) or place the bonds with a QIB.

Private Placement

The 2010 Bonds may be privately transferred by the Purchaser to another QIB. Remarketing of the 2010 Bonds is restricted to (i) public remarketing upon the Borrower providing a liquidity facility for the 2010 Bonds and the 2010 Bonds receive a credit rating of at least "A-" or better in accordance with the I-Bank Policies, or (ii) by private placement with QIBs.

In accordance with the Policies, the I-Bank's general policy is to issue bonds bearing certain minimum ratings. The Policies provide that the Board may waive the requirement for a credit rating where the applicant will use a private placement or limited underwriting offering structure subject to the following additional conditions:

1. **Sophisticated Investor.** The investor(s) will be required to sign a "sophisticated investor" letter acceptable to the Infrastructure Bank. Each investor must be a qualified institutional buyer within the meaning of S.E.C. Rule 144A, or an equivalent sophisticated investor with a demonstrated understanding of the risks associated with the municipal market, acceptable to the Infrastructure Bank.
2. **Resale Limitations.** Depending on the circumstances of the proposed sale, the Infrastructure Bank may require conditions for the resale of the 2010 Bonds after initial issuance.
3. **Minimum Denomination.** The Infrastructure Bank will require a minimum bond denomination of at least \$100,000 on private placements or limited underwritten offerings; denominations may be higher depending on the circumstances of the sale.

The financing structure of the 2010 Bonds is a private placement and requires the Board to waive the Policies' credit rating requirement and impose certain conditions on the financing. Specifically, pursuant to the terms of the financing documents for the 2010 Bonds, the Purchaser will certify in the Bond Purchase Agreement, among other things, that: (i) it is a Qualified Institutional Buyer; (ii) it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the 2010 Bonds and that it is able to bear the economic risks of such investment; and, (iii) it will prohibit the transfer of the 2010 Bonds, except to another QIB signing a sophisticated investor letter, and only in denominations of \$500,000 or greater. The Purchaser will also certify that it understands there is no liability on the part of the I-Bank or the State to make any payment on the 2010 Bonds other than the I-Bank's limited obligation to make payments from revenues received from the Borrower.

In no event shall the 2010 Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2010 Bonds except for the I-Bank. The 2010 Bonds constitute a special obligation of the I-Bank, payable solely from revenues consisting of repayments of the loan provided for in 2010 Loan Agreement between the I-Bank and the Institute.

2010 BONDS PUBLIC BENEFITS

The new facility financed by the 2010 Bonds is expected to generate economic benefits through the creation of temporary jobs during the construction phase and up to 150 permanent scientific staff jobs needed for the operation of the new facility.

The Project will also enable the Institute to expand and advance its stem cell biomedical research and graduate-level education in the life sciences and health professions.

Other benefits from stem cell research are expected to include improvements to the California healthcare system and a reduction of the long-term health cost burden on California through therapies that treat diseases and injuries with the ultimate goal to cure them.

The Institute has achieved LEED certification at the silver level for two laboratory projects that converted approximately 16,000 square feet of shell space into new wet lab and lab support facilities to expand its research base. The proposed Project is also expected to achieve LEED silver with the possibility of earning enough credits for Platinum certification.

The purpose of refunding up to \$10 million of the outstanding 2001 Bonds is to reduce the Institute's exposure to variable interest rates by having more of its outstanding bonds as of fixed rate debt. The Institute has determined that reducing its variable interest rate exposure will improve its financial stability, thus improving its ongoing financial position and allowing it to continue to employ its employees and have a robust level of research activity.

OTHER PROJECT DATA

PERMITS AND APPROVAL	
Required?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES, Describe: All local approvals have been obtained. There are no known discretionary approvals needed.
TEFRA	
Date of TEFRA	May 19, 2010
Publications	May 5, 2010 <i>The Sacramento Bee</i> May 5, 2010 <i>Marin Independent Journal</i>
Oral/Written Comments Received	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
LEGAL QUESTIONNAIRE	
Completed?	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES
Issues?	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain:
ELIGIBILITY REVIEW	
Borrower meets all of the I-Bank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<ol style="list-style-type: none"> 1. Project is in the State of California. 2. Borrower is capable of meeting its obligations incurred under the proposed 2010 Loan Agreement, and, in particular as to its loan repayment obligations which secure the 2010 Bonds, based upon the Purchaser's commitment to purchase the 2010 Bonds. 3. Payments to be made by the Borrower to the I-Bank under the proposed 2010 Loan Agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments on the 2010 Bonds. 4. The proposed financing is appropriate for the Project. 5. The Project is consistent with any existing local or regional comprehensive plans.
The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES ¹ <input type="checkbox"/> NO	
INDUCEMENT CERTIFICATE	
Completed?	<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div> <input type="checkbox"/> NO <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A </div> <div style="text-align: right;"> Certificate No.: Date: </div> </div>

¹ As noted elsewhere in this report, the 2010 Bonds are not rated as required by the Policies, but do meet the requirements for a waiver of that requirement as a result of private placement with a Qualified Institutional Buyer.

2001 BOND DOCUMENT AMENDMENTS

ISSUE: The Institute requests amendments to the 2001 First Amended and Restated Indenture (2001 Indenture) and 2001 First Amended and Restated Loan Agreement (2001 Loan Agreement) previously entered into by the I-Bank in relation to the 2001 Bonds. The purpose of the proposed amendments is to permit the Borrower to provide a substitution of security for the 2001 Bonds.

BACKGROUND INFORMATION: As previously described in this staff report, on December 10, 2001, the I-Bank approved Resolution 01-51 authorizing the remarketing the 1996 Bonds issued by the former CEDFA and approving amendments to the related indenture and loan agreement. The purpose of remarketing the 1996 Bonds was to enable the Institute to substitute the 1996 LOC with the 2001 LOC provided by The Bank of New York and the California State Teachers' Retirement System.

The Staff Report dated December 10, 2001, and a copy of Resolution 01-51 are attached for a more complete description of the transaction and financing structure (see Appendix C).

NEED FOR AMENDMENT: The Institute now requests to substitute the 2001 LOC with a direct pay letter of credit issued by U.S. Bank National Association (US Bank) to secure the 2001 Bonds (2010 LOC).

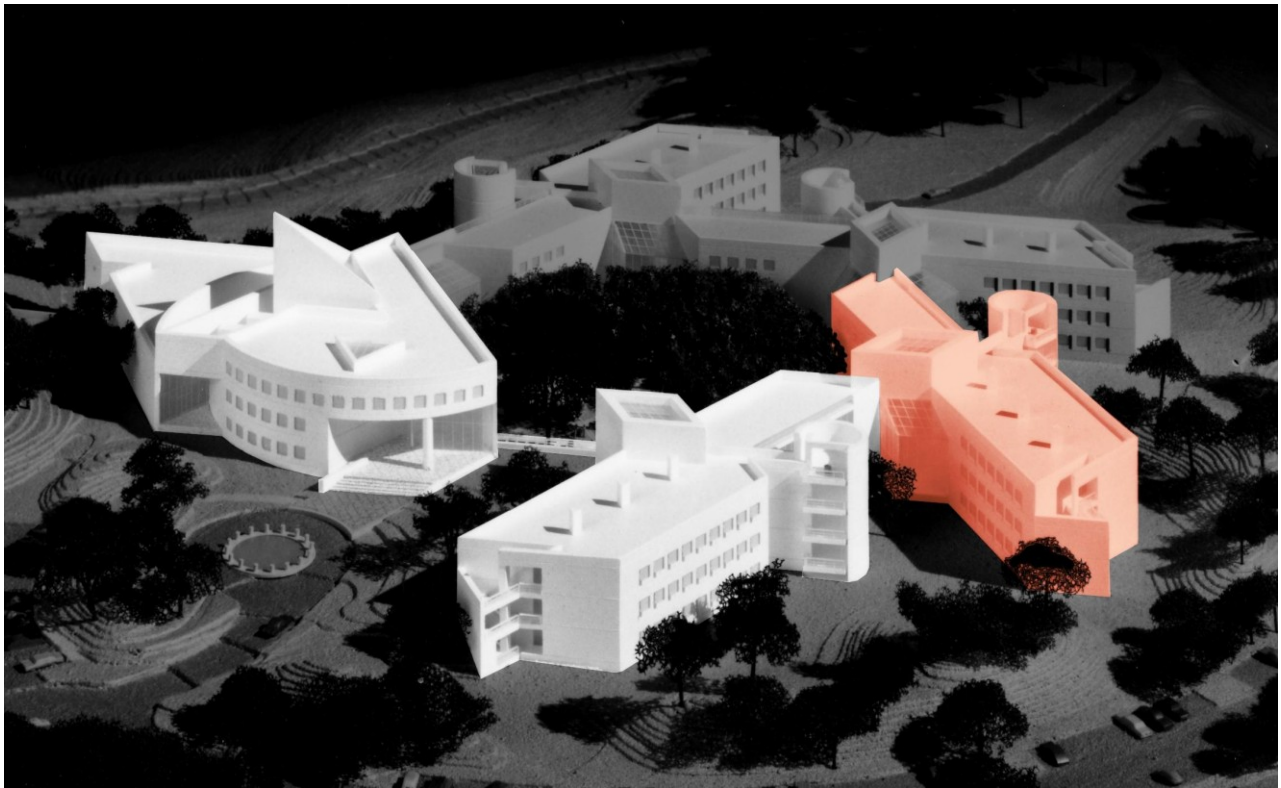
Amendments to the 2001 Indenture and 2001 Loan Agreement are necessary to implement this proposed change, to reflect certain changes to the definitions, terms of redemption, allocation of revenues and remarketing agent duties of the 2001 Bonds. Because the proposed amendments require bond holder consent, the proposed amendments do not fit within the scope of the Executive Director's existing delegated authority, established by Resolution 08-35 and must be approved by the Board.

The 2010 LOC is expected to support a credit ratings of Aa3 from Moody's Investors Service and A+ from Standard & Poor's Ratings Services, falling within I-Bank's credit rating policy of A- or better.

RECOMMENDATION

Staff recommends approval of Resolution 10-27 for an amount not to exceed \$30,000,000 for the Buck Institute for Age Research for a) financing the design and construction of a new economic development facility, b) refunding a portion of the 2001 Bonds, c) funding capitalized interest for the 2010 Bonds, d) paying costs of issuance, and d) authorizing amendments to the 2001 Indenture and the 2001 Loan Agreement related to the substitution of the letter of credit in support of the California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2001 (Buck Institute for Age Research).

APPENDIX A – PROJECT PHOTOS



Model of Master Plan – the highlighted building indicates the Project.

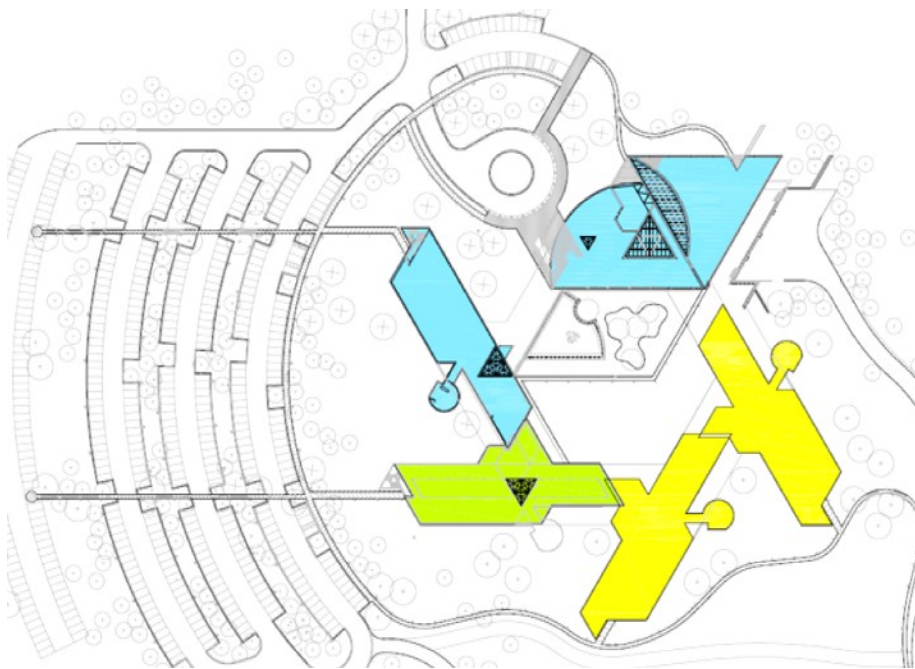


Diagram of the Master Plan showing the existing facilities in blue, the Project in green and the remaining future facilities to be built in yellow.

APPENDIX B – ADMINISTRATION AND BOARD OF TRUSTEES

Administration Staff Members

Brian K. Kennedy, PhD
Chief Executive Officer

Mary MacEachron, JD
Interim Chief Operating Officer

Nancy Derr
Vice President, Finance and Chief Financial Officer

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Vacant, Secretary
Richard M. Rosenberg, Treasurer

APPENDIX C – DECEMBER 10, 2001 STAFF REPORT AND RESOLUTION 01-51

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (CIEDB) CONDUIT REVENUE BOND FINANCING PROGRAM

STAFF REPORT				
EXECUTIVE SUMMARY				
Applicant:	Buck Institute for Age Research (the "Institute")	Amount Requested:	Not to exceed \$60,000,000	
		Type of Resolution:	Final	
		Date of Board Meeting:	Dec. 10, 2001	
		Resolution No.:	01-51	
Project Site:	8001 Redwood Boulevard, Novato, California			
Uses of Bond Proceeds:	Bond proceeds will be used to purchase approximately \$55,000,000 in variable rate demand revenue bonds issued by the California Economic Development Financing Authority (CEDFA) ¹ in 1996 (the "Prior Bonds"). Proceeds from the Prior Bonds were used to finance the cost of acquisition, construction and equipping of a research and education center dedicated to the study of aging located in Novato, California, including a laboratory building, a research support and education building, and related equipment. Bond proceeds will also be used to make an additional deposit to the Reserve Fund and to pay certain costs of issuance.			
Public Benefits:	The refinancing will allow the Institute to replace the current letter of credit securing the Prior Bonds with a longer-term, less expensive letter of credit from an alternate provider. In addition, the restated loan agreement will eliminate the need for a liquidity reserve covenant that was required by the Prior Bonds, returning approximately \$3.5 million to the Institute. Principal amortization will also be deferred until 2011. The cash infusion and the increased cash flow will further the Institute's goal of expanding and implementing its research program objectives that involve the aging process and age-related diseases.			
Financing Structure:				
Type of Issue:		Variable rate demand revenue bond public offering		
Tax Status:		Tax-exempt 501(c)(3) bonds		
Term:		35 Years		
Credit Enhancement:		Irrevocable, direct-pay letters of credit issued by the Bank of New York and the California State Teachers' Retirement System		
Expected Credit Rating:		VMIG1/Aa2 (Moody's), A-1+/AA- (S&P)		
Est. Sources of Funds (000's):		Est. Uses of Funds (000's):		
Bond Proceeds		\$55,800,000	Redeem 1996 Bonds	\$55,106,308
Liquidity Reserve		\$ 3,500,000	New Debt Service Reserve	\$ 3,500,000
Old Debt Service Reserve		\$ 3,500,000	Costs of Iss. & UW Disc.	\$ 600,000
Accrued Interest		\$ 6,345	Accrued Interest	\$ 6,345
			Funds released to Institute	\$ 3,500,000
			Additional Proceeds	\$ 93,692
TOTAL SOURCES		\$62,806,344	TOTAL USES	\$62,806,344
Financing Team:				
Bond Counsel:		Orrick Herrington & Sutcliffe		
Remarketing Agent:		Morgan Stanley		
Underwriter Counsel:		Lofton & Jennings		
Borrower Counsel:		Hanson, Bridgett, Marcus, Vlahos & Rudy		
Trustee:		U.S. Trust Company, N.A.		
Staff Recommendation:				
Staff recommends approval of Resolution 01-51 for an amount not to exceed \$60,000,000 for the Buck Institute For Age Research.				

¹ The CIEDB assumed all responsibilities, liabilities and obligations of CEDFA on January 1, 1999.

BACKGROUND AND BORROWER DESCRIPTION

The Buck Institute for Age Research (the "Institute") was incorporated on November 14, 1986 as a California nonprofit public benefit corporation dedicated to extending the healthy, productive years of human life through research and education. The Institute is located in the city of Novato, in northern Marin County, California, and is governed by a twelve-member Board of Directors.

The Institute is the fulfillment of philanthropist Beryl H. Buck's vision to "extend help toward the problems of the aged." Leonard & Beryl Buck devoted themselves to philanthropy. Despite inheriting an immense fortune, Leonard Buck completed his medical degree and spent twenty-four years at the University of California at San Francisco without a salary. Beryl Buck was trained as a nurse herself, and was acutely aware of the problems concerning the aged. At her death in 1975, she left the bulk of her estate for a foundation to be created in their name for the benefit of Marin County.

The Leonard and Beryl Buck Foundation ("the Buck Trust") is a court-supervised charitable trust that was established in 1979 to distribute funds for nonprofit charitable, religious, or educational activities in Marin County, California. Responsibility for the management of the Buck Trust's investment assets rests with Wells Fargo Bank, the Investment Trustee. Responsibility for distribution of the income for charitable purposes rests with the Marin Community Foundation, the Distribution Trustee. The Institute is a component part of the Marin Community Foundation (the "Foundation"), which means that the Institute, the Foundation and other component parts of the Foundation are treated as a single organization for federal tax purposes.

The primary purpose of the Institute is to conduct research and provide education on the problems associated with aging. In developing the Institute, its President and CEO, Dale E. Bredesen, M.D. has assembled a global team of leading researchers focused on understanding the aging process and age-related diseases. The Institute has a wide range of research experts including those who focus on neurodegenerative disease, structural biology, genetics, bioinformatics, and models of aging. In addition, the Institute operates core facilities in functional genomics, protein chemistry, simple models of aging and morphology.

The Institute's facility, which was designed by architect I.M. Pei, is located on a 488-acre site in Novato. The Institute's vested master plan envisions, over time, the construction and operation of an approximately 355,000 square foot research complex, consisting of four planned laboratory buildings, linked by glass atriums and anchored to a research support and education building arrayed around a hexagonal courtyard. Each laboratory building will consist of three floors of laboratories, with research support areas in the basement. The research support and education building anchors the complex, housing scientific research which does not require laboratory space, as well as clinical research space, an auditorium and conference facility, administrative offices, the central plant, loading dock and vivarium. In addition, the current master plan includes 130 one, two and three-bedroom apartments for the Institute's postdoctoral fellows and junior faculty. Currently, the Institute consists of the research support and education building and one laboratory building.

The proceeds of the Prior Bonds were used to construct and equip approximately 185,000 square feet of this space, consisting of one approximately 65,000 square-foot laboratory building and the approximately 120,000 square-foot research, support & education building, much of which is shelled for future expansion. These two buildings were occupied in August of 1999. It is anticipated that the completion of the research, support & education building and the three remaining laboratory buildings will be financed by capital fundraising.

The Institute is in the final stages of negotiations with a developer to construct the housing element of the master plan for the Institute at the developer's expense under a long-term ground lease and management contract. The housing element will not require subsidy by the Institute nor will the Institute assume any financial liability associated with the construction and management of the completed housing project. If all goes according to plan, the housing units will be available the summer of 2003.

PURPOSE OF FINANCING AND PUBLIC BENEFITS

One of the Institute's original letter of credit providers for the Prior Bonds, Canadian Imperial Bank of Commerce ("CIBC") is exiting the letter of credit business and has requested to terminate its letter of credit prior to its expiration date in December 2003. CIBC has offered to pay the Institute \$25,000 if its request is accommodated prior to December 31, 2001. This situation presented the Institute with the opportunity to restructure its debt service to provide additional and accelerated funding for its core research programs.

The Indenture relating to the Prior Bonds provides the Institute with the option to terminate the existing letter of credit and substitute an alternate letter of credit at any time, subject to a mandatory tender of the outstanding bonds. Rather than calling the Prior Bonds for optional redemption and then issuing refunding bonds, the Institute has opted to provide an alternate letter of credit under the existing Loan Agreement. This action would still trigger a mandatory tender of the outstanding Prior Bonds, however the bonds can then be remarketed under amended and restated documents supported by the new letter of credit. The benefit of the "reoffering" scenario is that the transaction can take place at any time (not just an interest payment date), allowing the existing letter of credit to be terminated prior to the end of the calendar year.

There are numerous benefits to the Institute for considering the reoffering opportunity, besides the original letter of credit bank's desire to exit from the letter of credit business. Amendments to the bond documents, including the indenture, the loan agreement and the reimbursement agreement amendments are summarized as follows:

- (a) amend and restate the Loan Agreement to eliminate the liquidity covenant that required the Institute to maintain a certain balance in the gross revenue fund upon completion of the original project;
- (b) amend and restate the Indenture to provide for the defeasance of bonds at any time during their term; and
- (c) amend and restate the Indenture to extend the final maturity of the bonds to November 15, 2036, and revise the scheduled mandatory sinking fund redemptions.

The amendment to the Loan Agreement will allow for the release of \$3.5 million in liquidity reserves required in the original financing. The amendments to the Indenture will allow the reoffered bonds to be redeemed without premium and will allow for an extension in the interest only and final maturity provisions. The three primary amendments are meant to provide the Institute with additional cash and increased cash flow to further the Institute's goal of expanding and implementing its research program objectives.

The Institute is one of only three institutes in the world, and the only one of its kind in the United States, which is currently dedicated to studying the basic biology of aging and age-associated diseases. The goal of the Institute is to increase the healthy years of each individual's life through clinically relevant biomedical research and education on the aging process and age-associated diseases such as Alzheimer's, Parkinson's, cancer, heart disease, ALS, osteoporosis and other age-associated diseases and disorders.

Research focused solely on aging offers important social and financial benefits. Bringing the molecular details of aging into focus will make it possible to design revolutionary tools to combat

the diseases of aging. By reducing the number of individuals afflicted by age-associated disease, research on aging will lessen the social and economic burdens caused by the impending worldwide aging boom.

GOVERNANCE AND MANAGEMENT

Governance

A self-perpetuating Board of Trustees, with a current membership of fourteen, governs the Institute, and, except for the component fund relationship, is independent from the other Marin County organizations receiving Buck Trust funds. Fifty percent of the membership must reside in Marin County. The Trustees are responsible for hiring the President & CEO and for providing policy direction, financial stability, and credibility to the organization. Trustees serve for three-year terms and are eligible for reappointment to two additional three-year terms. Regular meetings of the Board of Trustees are held as determined at the Annual National Board meeting, but in no event less than quarterly.

Management

The Institute's research program is structured into laboratories and cores of various disciplines headed by faculty and core directors who report to the President. All faculty and core directors are responsible for providing direction and leadership in meeting the mission of the Institute.

The Institute's business activities are structured into departments, with department heads who report to the Vice Presidents. The management is responsible for providing leadership in developing the support services for the Institute. Currently the Business Offices include the President's Office, the Executive Office, External Affairs, Development, Facilities, Information Systems and Purchasing, Finance and Grants, Human Resources, and Technology Transfer.

TEFRA HEARING AND LEGAL QUESTIONNAIRE

A Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing was held on November 27, 2001, following public notices which were published in the Marin Independent Journal and the Sacramento Bee. No written or oral comments were received prior to, during, or following the hearing, and staff is not aware of any negative aspects or opposition to the proposed financing. At the time the Prior Bonds were issued in 1996, however, prior to construction of the Institute's research facility, the project was extremely controversial. Several environmental organizations opposed construction on the same grounds on which construction is generally opposed in Marin County. In addition animal rights activists opposed the project because: first, they opposed the planned use of rats and mice in the Institute's medical research; and second despite the fact that the zoning precludes the use of species higher than rodents in the Institute's research, many activists nevertheless assumed that the Institute would be using such animals. Now that the Institute's research facility is constructed and operational, and the leaders of the opposition have been afforded the opportunity to witness the fact that the Institute's vivarium is constructed only to accommodate rodents, and that the rodents are being humanely treated, the Institute has indicated there is no longer any controversy.

The opponents of the original 1996 financing also filed suit in the Sacramento Superior Court alleging that the project did not meet the statutory and programmatic requirements of CEDFA. The judge ultimately ruled in favor of CEDFA and the financing was completed.

The Institute's response to the legal questionnaire included the following descriptions of pending litigation that the Institute is party to: (1) "Certain homes in neighboring subdivisions to the Institute's property have experienced damage consistent with ground movement, and the Institute has been named a defendant in multiple lawsuits arising from such ground movement.

Trial on one such action is scheduled to begin in December 2001. Although the Institute's insurer is defending such actions pursuant to a reservation of rights, management does not anticipate that any significant costs attendant to or resultant from such processes would exceed third-party recoveries available to the Institute." (2) "The Institute currently holds a retention of approximately \$3.6 million with respect to the construction of its research facility. Ownership of these retained funds is currently in dispute between the Institute and its general contractor, as a result of the Institute's contractual right to liquidated damages for delay and certain warranty issues. In addition to the retention in dispute, the general contractor is seeking approximately an additional \$11.6 million as an increase to the contractual guaranteed maximum price. In management's view, there is no basis for an increase in the guaranteed maximum price."

FINANCING TEAM

Bond Counsel:	Orrick Herrington & Sutcliffe
Remarketing Agent:	Morgan Stanley
Underwriters' Counsel:	Lofton & Jennings/
Borrower's Counsel:	Hanson, Bridgett, Marcus, Blahos & Rudy
Trustee:	U.S. Trust Company, N.A.

FINANCING DETAILS

Upon approval of a final resolution, the CIEDB will issue approximately \$56,000,000 in tax-exempt, variable rate demand revenue bonds. The bonds will be backed by irrevocable direct pay letters of credit provided by the Bank of New York and the California State Teachers' Retirement System. The bonds are expected to be rated A-1+/AA- by Standard & Poor's and VMIG1/Aa2 by Moody's Investor Services, respectively. The bonds will be publicly offered in denominations of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000. If the bonds are converted to a non-variable interest rate for a period of one year or any multiple of one year, the bonds will be available in denominations of \$5,000 or any integral multiple thereof during the term period.

In no event shall the bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the bonds. The bonds shall constitute a special obligation of the CIEDB, payable solely from revenues or other sources provided for in a loan agreement between the CIEDB and the Institute.

ELIGIBILITY REVIEW

The proposed financing meets the following public interest criteria as required by Section 63046 of the Government Code: 1) The financing is for a project in the State of California; 2) based upon the requirement that letters of credit will secure all payments to bondholders, the borrower is capable of meeting the obligations incurred under relevant agreements; 3) the payments to be made by the borrower to CIEDB under the Loan Agreement are adequate to pay the current expenses of CIEDB in connection with the financing and to make all the payments on the bonds; 4) the proposed financing is appropriate for the specific project. Additionally, the project is consistent with the CIEDB's Policies and Procedures for Conduit Revenue Bond Financing.

RECOMMENDATION

Staff recommends approval of Resolution 01-51, for an amount not to exceed, \$60,000,000, for the Buck Institute for Age Research.

RESOLUTION NO. 01-51

FINAL BOND RESOLUTION OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
RELATING TO THE REFINANCING OF FACILITIES FOR
THE BUCK INSTITUTE

December 10, 2001

WHEREAS, the California Infrastructure and Economic Development Bank (the "Bank") has heretofore received the application of the Buck Institute for Age Research, a California nonprofit public benefit corporation (the "Borrower"), for financial assistance to refinance the cost of acquisition, construction and equipping of a project located in Novato, California, including a laboratory building, a research support and education building, and related equipment, as more particularly described in Exhibit A to the hereinafter defined Loan Agreement (the "Project"); and

WHEREAS, the Bank is the successor in interest to the California Economic Development Financing Authority (the "Authority") and is authorized and empowered by Division 1 of Title 6.7 of the California Government Code (commencing at Section 63000) (the "Act"), to issue bonds for the purpose of financing and refinancing the acquisition, construction and rehabilitation of economic development facilities to promote economic development in the State of California including both real and personal property; and

WHEREAS, the Authority previously issued its currently outstanding Variable Rate Demand Revenue Bonds, Series 1996 (Buck Center for Research In Aging Project) (the "Prior Bonds") pursuant to an Indenture dated as of November 1, 1996, (the "Prior Indenture") between the Bank and U.S. Trust Company of California, N.A., as trustee (the "Trustee"), and loaned the proceeds thereof to the Borrower pursuant to a Loan Agreement dated November 1,

1996, between the Authority and the Borrower (the "Prior Loan Agreement") in order to finance the cost of acquisition, construction and equipping of the Project; and

WHEREAS, the Prior Bonds are credit enhanced by an irrevocable letter of credit issued severally and not jointly by the Canadian Imperial Bank of Commerce, acting through its New York Agency, and the California State Teachers' Retirement System; and

WHEREAS, pursuant to Section 5.8 of the Prior Loan Agreement, the Borrower has elected to exercise its option to provide for the delivery of an Alternate Letter of Credit in the form of an irrevocable letter of credit issued severally and not jointly by The Bank of New York and the California State Teachers' Retirement System, which will cause the Prior Bonds to be subject to mandatory tender for purchase on the effective date of the Alternate Letter of Credit pursuant to Section 4.06 of the Prior Indenture; and

WHEREAS, the Borrower has requested that the Bank amend and restate the Prior Loan Agreement and the Prior Indenture in the form of a First Amended and Restated Loan Agreement dated as of the delivery date of the Bonds between the Bank and the Borrower (the "Loan Agreement") and a First Amended and Restated Indenture dated as of the delivery date of the Bonds between the Bank and the Trustee (the "Indenture"), respectively, and remarket the Prior Bonds pursuant to such amended and restated documents in the form of the Bank's Variable Rate Demand Revenue Bonds, Series 2001 (Buck Institute for Age Research) (the "Bonds"); and

WHEREAS, the Bonds are to be remarketed with an increased par amount in order to pay for certain costs of issuance relating to the Bonds, and the Borrower is required to

make loan payments under the Loan Agreement sufficient to pay when due the principal of, premium, if any, and interest on the Bonds and related expenses; and

WHEREAS, final approval of the terms of such Bonds and certain documents relating to the Bonds is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Infrastructure and Economic Development Bank as follows:

Section 1. The Bank hereby determines as follows:

a. The financing and loan contemplated by this resolution is for a project, as defined in the Act, and use in the State of California.

b. Based upon the requirement that the transaction will be credit enhanced, the Borrower is capable of meeting the obligations incurred under the agreements approved by this resolution.

c. The payments to be made by the Borrower to the Bank under the Loan Agreement approved herein are adequate to pay the current expenses of the Bank in connection with the financing and to make all the payments on the revenue Bonds approved herein.

d. The proposed financing is appropriate for the Project.

e. The Project demonstrates clear evidence of a definite public benefit. The Project is consistent with any existing local and regional comprehensive plans.

Section 2. The revenue obligations of the Bank, designated as the "California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds, Series 2001 (Buck Institute for Age Research)" (the "Bonds") in an aggregate principal amount not to exceed \$60,000,000 are authorized to be issued under the Act. The Bank further authorizes the remarketing of the Prior Bonds in the form of the Bonds. The Bank hereby acknowledges that the

payment of the principal of and interest on the Bonds initially will be supported by an irrevocable direct-pay letter of credit issued severally and not jointly by The Bank of New York and the California State Teachers' Retirement System.

Section 3. The Treasurer of the State of California (the "Treasurer") is hereby authorized and requested to sell the Bonds, at any time within one hundred eighty (180) days of receipt of a certified copy of this resolution, at negotiated sale, at such price and at such interest rate or rates as he may determine.

Section 4. The proposed form of the First Amended and Restated Loan Agreement (the "Loan Agreement") between the Bank and the Borrower, on file with the Secretary of the Issuer, and the amendment and restating of the Prior Loan Agreement in the form of the Loan Agreement, is hereby approved. The Executive Director and the Chair of the Bank or the Chair's Designee, and each of them, acting alone, is hereby authorized and directed for and on behalf and in the name of the Bank to execute, acknowledge and deliver the Loan Agreement in substantially said form, and the Secretary of the Issuer is authorized to attest thereto, with such changes therein as the officers executing the same, with the advice of the Bank's counsel, may require or approve, such approval to be conclusively evidenced by execution and delivery thereof.

Section 5. The proposed form of the First Amended and Restated Indenture (the "Indenture") between the Bank and the trustee named therein (the "Trustee"), on file with the Secretary of the Issuer, and the amendment and restating of the Prior Indenture in the form of the Indenture, is hereby approved. The Executive Director and the Chair of the Bank or the Chair's Designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver to the Trustee the Indenture in substantially the form presented to this meeting, and the Secretary of the Issuer is authorized to

attest thereto, with such insertions and changes therein as the officers executing the same, with the advice of the Bank's counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The date, maturity date or dates, interest rate or rates and payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in said Indenture, as finally executed.

Section 6. The proposed form of the Bond Purchase Contract (the "Bond Purchase Contract") among the Treasurer, the Bank and Morgan Stanley & Co. Incorporated (the "Underwriter"), on file with the Secretary of the Issuer, is hereby approved. The Executive Director and the Chair of the Bank or the Chair's Designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute the Bond Purchase Contract in substantially the form presented to this meeting, and the Secretary of the Issuer is authorized to attest thereto, with such insertions and changes therein as the officer executing the same, with the advice of the Bank's counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The proposed form of the Official Statement relating to the Bonds (the "Official Statement"), on file with the Secretary of the Issuer, is hereby approved. At the time of sale of the Bonds, the Executive Director and the Chair of the Bank or the Chair's designee, and each of them, acting alone, is hereby authorized and directed to deliver the Official Statement for the Bonds, with such additions thereto or changes therein as the Executive Director may approve upon consultation with the Bank's counsel, such approval to be conclusively evidenced by the execution and delivery thereof, and the Secretary of the Issuer is authorized to attest thereto. The Underwriter is hereby authorized to distribute copies of the Official Statement to the purchasers of the Bonds, as appropriate.

Section 8. The Executive Director, Chair and the Chair's Designee of the Bank are hereby authorized and directed to execute, manually or by facsimile, in the name and on behalf of the Bank, the Bonds in an aggregate principal amount not to exceed the amount authorized hereunder in accordance with the Indenture and in the form set forth in such Indenture.

Section 9. The Bonds, when so executed, shall be delivered to the Trustee for authentication by the Trustee pursuant to the Indenture. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's certificate of authentication appearing thereon. The Trustee is hereby requested and directed to deliver the Bonds, when duly executed and authenticated, to The Depository Trust Company, New York, New York (the "Depository") on behalf of the purchasers thereof in accordance with written instructions executed on behalf of the Bank by the Executive Director of the Bank, which instructions said officers are hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and to deliver to the Trustee. Such instructions shall provide for the delivery of the Bonds to the Depository, on behalf of the purchasers thereof, upon payment of the purchase price thereof.

Section 10. The Executive Director and the Secretary are hereby authorized and directed, jointly and severally, to do any and all things, and to execute and deliver any and all documents and certificates, including without limitation a tax certificate, letter of representations or similar documents to the bond depository, documents relating to the aforementioned letter of credit and documents relating to the mandatory tender for purchase of the Prior Bonds and the remarketing thereof in the form of the Bonds, which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds, and otherwise to effectuate the purpose of this resolution.

Section 11. The Bank's issuance fee shall be \$10,000.

Section 12. This resolution shall take effect immediately upon its passage.

PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on December 10, 2001, by the following vote:

AYES: Hatamiya, Porini, Fernandez

NOES: None

ABSENT: None

ABSTAIN: None

By 
Stanton C. Hazelroth, Executive Director

Attest:

By 
Blake Fowler, Secretary

RESOLUTION NO. 10-27

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING THE SALE AND ISSUANCE OF NOT TO EXCEED \$30,000,000 CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK VARIABLE RATE DEMAND REVENUE BONDS (BUCK INSTITUTE FOR AGE RESEARCH) SERIES 2010 TO PROVIDE FINANCIAL ASSISTANCE FOR THE DEVELOPMENT OF CERTAIN ECONOMIC DEVELOPMENT FACILITIES FOR THE BENEFIT OF BUCK INSTITUTE FOR AGE RESEARCH, PROVIDING THE TERMS AND CONDITIONS OF THE SALE AND ISSUANCE OF SAID BONDS AND OTHER MATTERS RELATING THERETO; AND APPROVING AMENDMENTS TO BOND DOCUMENTS RELATED TO THE SUBSTITUTION OF A LETTER OF CREDIT FOR THE \$55,600,000 CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK VARIABLE RATE DEMAND REVENUE BONDS, SERIES 2001 (BUCK INSTITUTE FOR AGE RESEARCH) AND AUTHORIZING THE EXECUTION OF CERTAIN DOCUMENTS HEREIN SPECIFIED

WHEREAS, the California Infrastructure and Economic Development Bank (the “Bank”) was established pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act (California Government Code Section 63000 and following) (the “Act”), for the purpose of promoting economic development; and

WHEREAS, the Bank is authorized to issue tax-exempt revenue bonds to provide financing for economic development facilities (as such term is defined in the Act) located in the State of California; and

WHEREAS, on December 18, 2001, the Bank issued its \$55,600,000 Variable Rate Demand Revenue Bonds, Series 2001 (Buck Institute for Age Research) (the “2001 Bonds”) pursuant to a First Amended and Restated Indenture, dated as of December 18, 2001 (the “2001 Indenture”), by and between the Bank and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “2001 Trustee”); and

WHEREAS, the Bank loaned the proceeds of the 2001 Bonds to the Buck Institute for Age Research, a California nonprofit public benefit corporation (the “Borrower”), pursuant to a First

Amended and Restated Loan Agreement, dated as of December 18, 2001, by and between the Bank and the Borrower; and

WHEREAS, the Borrower has submitted an application to the Bank for assistance in (a) financing the design, planning, permitting, construction and general development of certain research facilities of the Corporation, and facilities necessary or desirable in connection therewith, to be owned and operated by and for the benefit of the Borrower and to be located at 8001 Redwood Boulevard, Novato, California 94945 (the "2010 Project"), (2) refinancing a portion of the 2001 Bonds, which were used to finance certain research facilities of the Borrower (the "2001 Project" and, together with the 2010 Project, the "Project"), (3) funding capitalized interest for the bonds, and (4) paying certain costs of the Project, including costs of issuance of bonds; and

WHEREAS, the Borrower has represented that it intends to use the facilities of the Project as a research facility, which operation is consistent with the definition of an economic development facility in the Act and that the Project will be consistent with any existing local or regional comprehensive plan; and

WHEREAS, for these purposes, the Borrower has requested the Bank to (a) authorize the issuance of tax-exempt obligations in an aggregate principal amount not to exceed \$30,000,000, entitled California Infrastructure and Economic Development Bank Variable Rate Demand Revenue Bonds (Buck Institute for Age Research) Series 2010 (the "2010 Bonds"), (b) provide for the sale of the 2010 Bonds, (c) provide for the loan of proceeds of the 2010 Bonds to the Borrower to finance or refinance the costs of the Project, as applicable, (d) provide for the payment of the principal of, premium, if any, and interest on the 2010 Bonds with revenues derived from the

Borrower's repayment of that loan, and (e) take and authorize certain other actions in connection with the foregoing; and

WHEREAS, the Borrower has represented that it has obtained a commitment from U.S. Bank National Association (the "Purchaser") to purchase the 2010 Bonds in a private placement transaction; and

WHEREAS, consistent with the Bank's policies, (a) the Purchaser will certify that it is a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1993, as amended (the "Securities Act"), (b) the Purchaser will sign a "sophisticated investor" letter acceptable to the Bank, (c) the 2010 Bonds will be subject to resale limitations that limit the transfer or sale of the 2010 Bonds by the Purchaser to other "qualified institutional buyers" or "accredited investors" within the meaning of Rule 501 promulgated under the Securities Act, and (d) the remarketing, sale or transfer of the 2010 Bonds to holders other than the Purchaser, whether in a "Flex Private Placement Rate Period" or a weekly or fixed interest rate period, are similarly restricted, unless the Bonds are rated at least "A3" from Moody's Investors Service, or "A-" from Standard & Poor's or Fitch Ratings, or the Borrower has obtained an irrevocable direct pay letter of credit issued by a bank with sufficient ratings in order to support such a rating on the Bonds; and

WHEREAS, because the 2010 Bonds will be sold directly to the Purchaser, the transaction will not be rated by any rating agency; and

WHEREAS, the Bank may not issue the 2010 Bonds to assist in financing and refinancing the Project until the Board of Directors of the Bank (the "Board") makes certain determinations relating to the Project as required by the Act; and

WHEREAS, the payment of principal of and interest on the 2001 Bonds is supported by a direct-pay letter of credit (the “Prior Credit Facility”) issued severally and not jointly by The Bank of New York Mellon and California State Teachers’ Retirement System (collectively, the “Prior Credit Providers”); and

WHEREAS, pursuant to Section 5.8 of the Prior Loan Agreement, the Borrower has elected to exercise its option to provide for the delivery of an Alternate Letter of Credit in the form of an irrevocable direct-pay letter of credit (the “Credit Facility”) issued by U.S. Bank National Association (the “Credit Provider”), which will cause the 2001 Bonds to be subject to mandatory tender for purchase on the effective date of the Credit Facility pursuant to Section 4.06 of the 2001 Indenture; and

WHEREAS, the Borrower has represented that, upon substitution of the Credit Facility for the Prior Credit Facility, it expects a rating on the 2001 Bonds of at least “Aa3/P-1” from Moody’s Investors Service and “A+/A-1+” from Standard & Poor’s Ratings Service; and

WHEREAS, the Bank has been requested by the Borrower to authorize and undertake to amend and restate the Prior Loan Agreement in the form of a Second Amended and Restated Loan Agreement between the Bank and the Borrower (the “Second Amended 2001 Loan Agreement”), and to authorize and undertake to amend the 2001 Indenture through the execution and delivery of a First Supplemental Indenture (the “First Supplemental 2001 Indenture”) between the Bank and the 2001 Trustee, each of which will become effective upon the remarketing of the 2001 Bonds with the Credit Facility; and

WHEREAS, the amendments effected by the Second Amended 2001 Loan Agreement and the First Supplemental 2001 Indenture require consent by the Credit Provider and the holders of the 2001 Bonds, which consents the Borrower has represented that it expects to obtain; and

WHEREAS, there is now on file with the Secretary of the Board ("Secretary") the following:

(a) a proposed form of a loan agreement to be entered into by and between the Bank and the Borrower providing for the loan of the proceeds of the 2010 Bonds to the Borrower (the "2010 Loan Agreement");

(b) a proposed form of a trust indenture to be entered into between the Bank and U.S. Bank National Association, as trustee (the "2010 Trustee"), providing for the authorization and issuance of the 2010 Bonds to be dated the date of delivery thereof (the "2010 Indenture");

(c) a proposed form of a bond purchase contract to be entered into by and among the Bank, the Treasurer of the State of California, the Purchaser, and the Borrower, providing for the sale of the 2010 Bonds to the Purchaser (the "2010 Purchase Contract");

(d) a proposed form of a tax agreement between the Bank and the Borrower, concerning the exclusion of interest on the 2010 Bonds from gross income for federal income tax purposes (the "2010 Tax Agreement");

(e) a proposed form of the Second Amended 2001 Loan Agreement; and

(f) a proposed form of the First Supplemental 2001 Indenture.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the California Infrastructure and Economic Development Bank as follows:

Section 1. The above recitals are true and correct.

Section 2. Pursuant to Sections 63046 and 63047 of the Act, and based upon the representations of the Borrower, the Board of Directors of the Bank hereby finds and determines as follows:

- a. The Project is located in the State of California.
- b. The Borrower is capable of meeting its payment obligations under the 2010 Loan Agreement and the Second Amended 2001 Loan Agreement as approved by this resolution, which finding is based in particular on the Borrower's ability to satisfy the requirements imposed by the Purchaser and the Credit Provider, respectively.
- c. The Borrower is capable of meeting the other obligations incurred by the Borrower under the agreements approved by this resolution.
- d. The payments to be made by the Borrower to the Bank under the 2010 Loan Agreement and the Second Amended 2001 Loan Agreement as approved by this resolution are adequate to pay the current expenses of the Bank in connection with the financing and to make all the payments on the 2010 Bonds and the 2001 Bonds.
- e. The proposed financing is appropriate for the Project.
- f. The Project is consistent with any existing local or regional comprehensive plan.

Section 3. Based on the information provided and representations made by the Borrower, the Board hereby finds and determines that the Project demonstrates clear evidence of a defined public benefit in that (i) economic benefits will be derived from the generation of economic activity in connection with the construction and operation or continued operation of the facilities, including the creation of temporary jobs during the construction phase and permanent jobs during the operation of the facilities, (ii) educational benefits will be derived from the advancement of biomedical research and graduate-level education in the life sciences and health professions, and (iii) societal and economic benefits will be derived from stem cell research that will improve the California healthcare system and reduce the long-term health cost burden on California through therapies that treat diseases and injuries with the ultimate goal to cure them.

Section 4. The Bank authorizes and approves the loan of the proceeds of the 2010 Bonds to the Borrower in order to finance and refinance the Project pursuant to the terms and provisions of the 2010 Loan Agreement as approved by this resolution. The proposed form of 2010 Loan Agreement on file with the Secretary of the Board of Directors (the "Secretary") is

hereby approved, and the Executive Director of the Bank (the “Executive Director”), the Chair of the Board, or the Chair’s designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver a loan agreement to the Borrower in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Secretary is authorized to attest to the execution of the 2010 Loan Agreement.

Section 5. The proposed form of 2010 Indenture on file with the Secretary is hereby approved, and the Executive Director, the Chair of the Board, or the Chair’s designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver the 2010 Indenture to the 2010 Trustee in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank’s counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Secretary is authorized to attest to the execution of the 2010 Indenture.

Section 6. The proposed form of 2010 Purchase Contract on file with the Secretary is hereby approved, and the Executive Director, the Chair of the Board, or the Chair’s designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and deliver to the Purchaser, the Treasurer, and the Borrower the 2010 Purchase Contract in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official

executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Treasurer of the State of California, as agent for sale of the Bank's bonds, is hereby requested to sell the 2010 Bonds to the Purchaser at negotiated sale, at such prices and at such initial interest rates as he may determine in accordance with the 2010 Indenture. Notwithstanding Section 63074(d) of the Act to the contrary, such sale may take place at any time within one hundred eighty (180) days of the adoption of this resolution or at such later date approved by the Executive Director which is not later than the date three hundred sixty (360) days of the adoption of this resolution.

Section 7. The proposed form of 2010 Tax Agreement on file with the Secretary is hereby approved and the Executive Director, the Chair of the Board or the Chair's designee, each acting alone, is hereby authorized and directed, for an in the name and on behalf of the Bank, to execute and deliver to the Borrower and counsel to the Bank the 2010 Tax Agreement in substantially said form, with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. The proposed form of Second Amended 2001 Loan Agreement on file with the Secretary is hereby approved, and the Executive Director, the Chair of the Board, or the Chair's designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver a loan agreement to the Borrower in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with

the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Secretary is authorized to attest to the execution of the Second Amended 2001 Loan Agreement.

Section 9. The proposed form of First Supplemental 2001 Indenture on file with the Secretary is hereby approved, and the Executive Director, the Chair of the Board, or the Chair's designee, each acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute, acknowledge and deliver a supplemental indenture to the 2001 Trustee in substantially said form, with such insertions and changes therein as may be necessary or appropriate to cause the same to carry out the intent of this resolution and as the officer or official executing the same, with the advice of the Bank's counsel, may require or approve, such requirement or approval to be conclusively evidenced by the execution and delivery thereof. The Secretary is authorized to attest to the execution of the First Supplemental 2001 Indenture.

Section 10. The Bank approves the issuance on a tax-exempt basis of not to exceed \$30,000,000 aggregate principal amount of the 2010 Bonds for the Project in accordance with this resolution and the terms of and to be secured by the 2010 Indenture. Payment of the principal of, premium, if any, and the interest on, the 2010 Bonds shall be made solely from the revenues to be received by the Bank pursuant to the Loan Agreement and the 2010 Indenture, and payment of the purchase price of the 2010 Bonds shall be payable solely from the proceeds of the 2010 Bonds and amounts made available therefore under the 2010 Indenture, and said 2010 Bonds shall not be deemed to constitute a debt or liability of the State of California or the Bank except, as to the Bank to the limited extent provided in the 2010 Indenture. Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal or purchase price of, or premium, if any, or interest on, the 2010 Bonds. The 2010 Bonds shall be dated the date of their

issuance and shall be paid in lawful money of the United States at the time or times and place or places provided in the 2010 Indenture. The 2010 Bonds shall be in the form and the denominations as provided in the 2010 Indenture, mature on the date or dates provided in the 2010 Indenture which shall be not later than 30 years from the date of issuance thereof, be subject to redemption as provided in the 2010 Indenture, shall carry the registration privileges provided in the 2010 Indenture and shall bear interest at a variable rate to be determined in accordance with the 2010 Indenture, which rate shall not exceed 12% per annum. The Bank approves the issuance of the 2010 Bonds without a credit rating, provided that the 2010 Bonds are sold directly to the Purchaser in a private placement transaction, and are subject to such conditions and resale restrictions as are consistent with this resolution.

Section 11. The Executive Director, the Chair of the Board, or the Chair's designee, each acting alone, is hereby authorized and directed, for and in the name and on behalf of the Bank, to execute, by manual or facsimile signature, the 2010 Bonds in an aggregate principal amount not to exceed the amount authorized hereunder in accordance with the terms of this resolution and the 2010 Indenture and in the form set forth in the 2010 Indenture.

Section 12. The 2010 Bonds, when executed as provided in this resolution, shall be delivered to the 2010 Trustee for authentication by the 2010 Trustee pursuant to the 2010 Indenture. The 2010 Trustee is hereby requested and directed to authenticate the 2010 Bonds by executing the 2010 Trustee's certificate of authentication appearing thereon. The 2010 Trustee is hereby requested and directed to deliver the 2010 Bonds, when duly executed and authenticated, to the Purchaser or to The Depository Trust Company, New York, New York (the "Depository") on behalf of the Purchasers in accordance with written instructions executed on behalf of the Bank by the Executive Director, the Chair of the Board, or the Chair's designee, which instructions each

signatory, acting singly, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and to deliver to the 2010 Trustee. Such instructions shall provide for the delivery of the 2010 Bonds to the Purchaser or to the Depository, on behalf of the Purchaser, upon payment of the purchase price therefor.

Section 13. The Executive Director, the Chair of the Board or the Chair's designee, each acting alone, is hereby authorized to execute and deliver any and all certificates and instruments, including without limitation letters of representations and certifications of authority, which they or counsel to the Bank may deem necessary or advisable to consummate the issuance, sale and delivery of the 2010 Bonds and the amendment of documents relating to the 2001 Bonds and otherwise to effectuate the purpose of this resolution.

Section 14. All actions heretofore taken by the officers and employees of the Bank with respect to the approval, issuance and sale of the 2010 Bonds and the approval and amendment of documents relating to the 2001 Bonds are hereby approved, confirmed and ratified. The officers of the Bank and their authorized designees, deputies, agents and counsel are hereby authorized and directed, jointly and severally, to perform their duties and to execute and deliver any and all certificates which they, counsel to the Bank may deem necessary or advisable in order to consummate the issuance, sale and delivery of the 2010 Bonds and the approval and amendment of documents relating to the 2001 Bonds and otherwise to effectuate the purposes of this resolution.

signatory, acting singly, is hereby authorized and directed, for and on behalf and in the name of the Bank, to execute and to deliver to the 2010 Trustee. Such instructions shall provide for the delivery of the 2010 Bonds to the Purchaser or to the Depository, on behalf of the Purchaser, upon payment of the purchase price therefor.

Section 13. The Executive Director, the Chair of the Board or the Chair's designee, each acting alone, is hereby authorized to execute and deliver any and all certificates and instruments, including without limitation letters of representations and certifications of authority, which they or counsel to the Bank may deem necessary or advisable to consummate the issuance, sale and delivery of the 2010 Bonds and the amendment of documents relating to the 2001 Bonds and otherwise to effectuate the purpose of this resolution.

Section 14. All actions heretofore taken by the officers and employees of the Bank with respect to the approval, issuance and sale of the 2010 Bonds and the approval and amendment of documents relating to the 2001 Bonds are hereby approved, confirmed and ratified. The officers of the Bank and their authorized designees, deputies, agents and counsel are hereby authorized and directed, jointly and severally, to perform their duties and to execute and deliver any and all certificates which they, counsel to the Bank may deem necessary or advisable in order to consummate the issuance, sale and delivery of the 2010 Bonds and the approval and amendment of documents relating to the 2001 Bonds and otherwise to effectuate the purposes of this resolution.

Section 15. This resolution shall take effect immediately upon its passage.

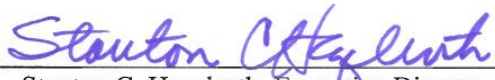
PASSED, APPROVED, AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on August 24, 2010 by the following vote:

AYES: BRYANT, LUJANO, BERTE, LEONARD


NOES: NONE

ABSENT: RICE

ABSTAIN: NONE


Stanton C. Hazelroth, Executive Director

Attest:


Roma Cristia-Plant,
Secretary of the Board of Directors